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TAGS: [ETRD](#) [KPAO](#) [PGOV](#) [OVIP](#) [PM](#)
SUBJECT: GUTIERREZ DELIVERS POSITIVE TPA MESSAGE AND
CONCERNS ABOUT PMG

REF: PANAMA 1503

Classified By: Ambassador William A. Eaton - Reasons 1.5(b and d)

¶1. (C) Summary: Commerce Secretary Carlos Gutierrez visited Panama September 12-13 with a strong message on the benefits of a TPA for Panama and the U.S. Alluding to Pedro Miguel Gonzalez's (PMG's) elevation to National Assembly presidency, Secretary Gutierrez also made clear in all his public and private statements that a "problem now exists that did not exist before," emphasizing that Panama and the U.S. have worked "too long and too hard" on the TPA to let any problem affect its passage. Secretary Gutierrez and several Congressmen reinforced this message with blunter language in private with Torrijos and with top PMG allies. Secretary Gutierrez - in concert with Congress - delivered a message that Torrijos needed to hear to strengthen his hand with a defiant PMG and PMG's supporters. The Secretary's message needs a bit of time to percolate as we plan next steps. End summary.

Gutierrez Delivers Strong TPA Message, But . . .

¶2. (SBU) During Secretary Gutierrez's participation in a reception with Panamanian business and political leaders, a visit to the Panama Canal, and a meeting and lunch with President Torrijos, he delivered a strong message on the benefits of a TPA for Panama and the U.S., highlighted Panama's strong economic performance and plans for Canal expansion, and underscored our long-standing bilateral ties. Without ever once referring to newly elected Panamanian National Assembly (NA) President Pedro Miguel Gonzalez (PMG) by name, he made clear in all his public and private statements and in response to media questions that a "problem now exists that did not exist before," emphasizing that Panama and the U.S. have worked "too long and too hard" on the TPA to let any problem affect its passage.

¶3. (C) The Torrijos administration had been somewhat schizophrenic about the issue. On the one hand they had hoped that the visit would signal "business as usual" on the TPA and that the problem would go away. On the other, they knew that such a message would make permanent PMG's elevation to the top of the National Assembly, which would be a constant reminder of PMG's challenge to Torrijos' authority. Thus, close advisors to Torrijos expressed privately their relief that Secretary Gutierrez had signaled the potential

problem PMG poses to TPA ratification. Private sector leaders shared similar fears about a "business as usual" visit and worried that PMG's ascendancy signaled a weakening of Torrijos and his pro-trade/pro-business wing of the PRD. Despite intense efforts by administration and private sector leaders to encourage PMG to either not accept the NA presidency or to later step down, he refused to do so.

¶4. (SBU) Since Sept. 1, PMG strengthened his resolve to stay in office. PMG and his allies denied any evidence of adverse reaction from the USG vis a vis the TPA that would warrant his exit. Increasingly pessimistic that they could encourage PMG to exit for the good of the TPA and the country, GOP and private sector leaders felt that their best hope would be an unequivocal message from Washington that PMG represents an obstacle to the TPA.

¶5. (SBU) As post expected (reftel), all Panamanian electronic and print media hung on Secretary Gutierrez's every word and action, resulting in unprecedented coverage for an official visit. They also picked up Senator Baucus' Sept. 13 statement, released by his office only to the Panamanian press, that PMG represents a "serious impediment" to TPA passage. The media's stories and commentary have echoed Secretary Gutierrez's messages, reiterating their earlier calls for PMG to step down.

Blunt Message to Torrijos: Lance the PMG Boil Now

¶6. (C) In private September 13 meetings with President Martin Torrijos, Commerce Secretary Carlos Gutierrez gave Torrijos an even blunter warning that the PMG matter "complicates" the Congress' approval process for the U.S.-Panama Trade Promotion Agreement (TPA). Advising Torrijos that "time is not your friend" on this one, Gutierrez urged him to resolve the issue sooner rather than later. He cautioned that, if left unresolved, PMG's continued presence at the Assembly's helm will only aggravate growing Congressional concern.

¶7. (C) A stoic Torrijos acknowledged his need to "manage" the situation, but did not commit to any specific action. Gutierrez stressed that, with Panama's pro-TPA friends beginning to get worried about the Panama deal because of the PMG issue, the GOP should recognize that anti-TPA and fence-sitting congressmen could use the issue to dodge a "yes" vote. He pointed to earlier public comments by pro-TPA Senator Charles Grassley and others, as well as growing unhappiness among Congress' Hispanic Caucus members.

¶8. (C) Torrijos bristled when several Congressmen accompanying Gutierrez pointed to fundamental shortcomings with Panama's judiciary as a key part of the PMG problem. Representatives Dennis Hastert, David Dreier, and Joe Crowley said that the PMG issue highlights Panama's weak rule of law and warned that it could have negative consequences for foreign investment in Panama. Hastert stressed that foreign investors go where they find stability and rule of law. He said that the PMG matter may cause some to doubt whether Panama's legal system will be fair and transparent. Crowley, noting that his District has the second-highest concentration of Puerto Rican residents, said that his pro-Panama TPA stance would waver if the PMG-Zak Hernandez matter picks up a head of steam. Although members of Congress departed Panama with greater concern about the PMG issue's potential impact on final TPA passage, they all supported Secretary Gutierrez's message. None indicated that he would now vote against the TPA and one stated that he still fully intends to vote for the deal despite potential political blowback over PMG.

Meeks and Dreier Work Over PMG Lieutenant

¶9. (C) At a lunch for the delegation hosted by Torrijos, Reps. Gregory Meeks and David Dreier were seated at the same table with Yasir Purcalt, the National Assembly's Commerce

Committee Chairman and the floor manager for PMG's NA presidential campaign. As PMG's emissary to top private sector leaders, Purcalt had told business leaders that this was strictly an issue of Panama's sovereignty and denied that PMG would have any effect on the TPA. In trotting out similar arguments with Meeks and Dreier, Purcalt also defended the adequacy of Panama's 1997 sham trial that "exonerated" PMG. Meeks and Dreier stressed that, regardless of arguments about sovereignty or the adequacy of PMG's trial, the bottom line is that PMG's presence as NA President will affect Congress' outlook on the TPA. Meeks later told Econ Chief that he believed his message "got through" clearly to Purcalt. He also felt that Purcalt, as a businessman himself, might see that his own interests would ultimately be best served by PMG's exit.

PMG Remains Defiant

¶10. (U) Despite Gutierrez's crystal clear public and private signals regarding PMG's threat to the TPA, PMG remained defiant. In comments to the press on September 13, PMG played the "independence" card and said that his yielding to USG pressure would be a "setback for the history of this nation."

¶11. (C) On the margins of the Gutierrez-Torrijos bilat, First Vice President/Foreign Minister Samuel Lewis Navarro told Ambassador that he (Lewis) and Trade Minister Alejandro Ferrer met Sept. 12 with PMG to encourage him to step down. According to Lewis, PMG called the issue a "tempest in a teapot" that the U.S. Congress would not care about. PMG accused Lewis and Ferrer of whipping up local media over the past week to further pressure him to step down. Lewis said he urged PMG to consider how his potential impact on the TPA could affect Panama for years to come and undoubtedly harm PMG's legacy and reputation. Lewis also said he believed that former President Ernesto Perez Balladares had deployed many of his supporters to egg PMG on with his anti-U.S.

rhetoric and defiance as a way to destroy Torrijos' authority. For Torrijos, he said, the rupture with PMG was both a personal, as well as political blow, as Torrijos feels betrayed by his longtime friend and PRD colleague, PMG.

Comment and Recommendation

¶12. (C) We need to give Secretary Gutierrez's message a few days to percolate through the various players in this saga, especially within the PRD. This Sunday is likely to provide a window into its most immediate impact when the 300 most important members of the PRD (the National Directorate) meet to discuss the party's election agenda. There is little doubt that the subtext of the meeting will be Pedro Miguel Gonzalez and efforts to close the deep fissures his election caused within the party. Torrijos is clearly nervous that his weakened position could worsen.

¶13. (C) This also gives us time to plot our next moves to get the Pedro Miguel problem resolved, before it gets a chance to gain traction or significant notice on the Hill. Post believes the way ahead requires us to work closely with the business sector, civil society, and the Torrijos administration, all of whom want PMG to step down. It is particularly important that we continue our efforts to strengthen Torrijos' hand. He and his wing of the PRD share our agenda of a secure pragmatic, pro-trade, pro-U.S. Panama. Under his leadership, Panama has been a reliable partner in the UN Security Council and in virtually every other major issue importance to the U.S. Torrijos needs and wants the TPA as much as we do. We can ill afford to seriously wound Torrijos as he enters his final two years in office.

¶14. (U) The Commerce delegation departed without the opportunity to clear this message.
EATON